

Research & Development Tax Credit

Helping Spur Growth and Innovation for the 21st Century



Overview

Massachusetts offers a tax incentive for research and development investment for both manufacturers and R&D companies. This tax incentive was designed to remove any obstacles to R&D investment and spur growth and innovation.

How It Works

The Massachusetts R&D Tax Credit is divided into two categories:

- The first credit category is designed for Qualified Expenses which are defined as any research expense incurred which would qualify for the Federal R&D tax credit. This credit is computed at 10%.
- The second credit is available to Basic Research Payments. Computed at 15%. This credit is available for any costs related to donations and contributions made to research organizations such as hospitals and universities.

Advantages

Although Massachusetts' R&D tax credit closely parallels the federal credit program, it offers qualifying companies some unique features including:

- Massachusetts credit is permanent, while other states have temporary credits
- The R&D tax credit can be taken in conjunction with the state's Investment Tax Credit of 3% (or 5% as part of the Economic Development Incentive Program).
- Unlike some of the other credits, the R&D tax credit may reduce the corporation's tax to the minimum tax of \$456.

Eligibility

The R&D tax credit is available to any foreign or domestic corporation subject to the corporate excise under Chapter 63 Massachusetts Laws.

Massachusetts Business Resource Team

One Ashburton Place
Room 2101
Boston, MA 01208
(877) BIZ-TEAM or (877) 249-8326

Affiliated Members

Massachusetts Office of Business Development
10 Park Plaza, Suite 3730
Boston, MA 02116
(617) 973-8600

Economic Stabilization Trust
529 Main Street, Suite 110
Boston, MA 02129
(617) 727-8158

Workforce Training Fund
19 Staniford Street
Boston, MA 02114
(800) 252-1591

MassDevelopment
160 Federal Street
Boston, MA 02110
(800) 445-8030

For Technical Information

Massachusetts Department of Revenue
100 Cambridge Street, 8th Floor
Boston, MA 02110
(617) 887-MDOR (6367)
(800) 392-6089 (MA only)
www.mass.gov/dor



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